

# BUDGET LETTER

<b>SUBJECT:</b> 2021-22 BUDGET POLICY	<b>NUMBER:</b> 20-30
<b>REFERENCES:</b> <a href="#">BL 20-14</a>	<b>DATE ISSUED:</b> August 10, 2020
	<b>SUPERSEDES:</b> 19-19

TO: Agency Secretaries  
Department Directors  
Department Chief Counsels  
Department Chief Information Officers  
Departmental Budget and Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Department of Finance's policy guidelines for preparation of the proposed 2021-22 Governor's Budget. As a reminder, [BL 20-14](#), which Finance issued on July 14, 2020, outlines the technical and procedural requirements for preparation of the 2021-22 Governor's Budget.

## Priorities

The Administration's primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services, promotes economic recovery, job growth and affordability, and protects public health, public safety, and public education. The Administration will also continue to focus on equity and the income inequality that has been exacerbated by the COVID-19 pandemic.

COVID-19 has caused a global economic crisis which has had a profound impact on all of California's economy, and caused a disproportionate impact on small businesses, lower-wage workers and sectors hardest hit by the pandemic, including travel, tourism, hospitality and personal services. The severe drop in economic activity has resulted in a recession and will significantly reduce state revenues. At the same time, the COVID-19 recession will cause increased demands for core health and human services. Revenue decreases and cost increases are expected to last for several years, resulting in significant ongoing structural deficits. The deficit for 2021-22 is currently estimated to be \$8.7 billion and could be higher if the federal government does not take additional actions.

Although the federal government has provided some relief, more is needed to support the needs of the nearly 3 million Californians currently unemployed and the 4 million small businesses that have been negatively impacted by the pandemic. Additional support is also needed to address public health and to protect vital services delivered by state and local governments.

Given the state's uncertain economic climate, it is imperative that state government be efficient, effective, and conducted in the most economical manner possible. Accordingly, the Administration has provided direction to all state agencies and departments to increase efficiency in state operations now and into the future.

Please refer to [BL 20-11](#), which remains in effect, and a forthcoming budget letter for suggested actions required to meet a 5 percent reduction to state operations budgets.

### **Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP)**

Finance will only consider workload budget and technical requests to maintain current service levels for existing authorized services—based on current law, the merits of the proposal, and the availability of funding, regardless of fund source. These include existing or ongoing information technology and capital outlay projects. This criteria applies to all departments, including those not under the Governor's direct authority. It is anticipated that General Fund resources will be extremely limited, as such, submittal of associated BCPs should be limited. Non-General Fund BCPs and increased spending levels must be sustainable within the existing revenue structure of the fund source that supports the proposal. To the extent a non-General Fund BCP directly or indirectly results in a negative impact to the General Fund, that BCP will be considered a General Fund BCP for review purposes.

Departments should contact their Finance Program Budget Manager before the BCP or ECP due date, ideally in mid-August, to identify workload budget and technical requests that may be submitted. I strongly encourage you to work collaboratively with your Finance Program Budget Manager on an ongoing basis to prioritize budget requests prior to submitting any proposals.

Requests not meeting the criteria above, and/or that were not discussed with your Finance Program Budget Manager prior to submission, will not be considered for inclusion in the 2021-22 Governor's Budget. They will be returned without review.

The only exception to this evaluation criteria will be proposals or adjustments necessary to support the emergency response to COVID-19, or to support the economic recovery through supporting small businesses, job creation, and changes to existing programs or investments that allow California to rebuild our economy with greater equity and climate resiliency.

**Workload budget and technical requests, including Budget Bill language changes, are due to Finance no later than Thursday, September 3, 2020**, or by an earlier date established by the Finance Program Budget Manager.

**(Exception:** BCPs for chaptered legislation and late requests approved by Finance). Contact your Finance budget analyst for fall ECP due dates. Detailed instructions for submitting BCP packages were provided in [BL 20-18](#) and [BL 20-20](#).

Departments must use the current ADA compliant BCP forms and Hyperion upload templates, as applicable, which are available on the [Budget Forms](#) page of Finance's website.

### **Budget Confidentiality**

Information contained in BCP and ECP proposals is an integral part of the Governor's deliberation process. Accordingly, departments must treat proposals as privileged and confidential until and unless the proposal is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. **Disapproved, unapproved, and draft BCPs or ECP changes (i.e., proposals not released to the Legislature) remain confidential indefinitely, and may not be released.** Final BCPs approved by the Administration will be posted on [Finance's website](#).

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Richard Gillihan

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Chief Operating Officer